

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

January 21, 2003

The Capital Projects and Bond Oversight Committee met on Tuesday, January 21, 2003, at 1:00 PM, in Room 125 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chair; Senator Robert Leeper, Vice Chair; Senators Tom Buford and Bob Jackson; Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the committee: Bill Hintze, Governor's Office for Policy and Management; Armond Russ, Robin Kinney, and Steve Sharp, Finance and Administration Cabinet; Deborah Wilkins, Western Kentucky University; Tom Denton, Dr. Dewey Yates, and Dr. John Yates, Murray State University; Jack Morris, Division of Real Properties; Sandy Williams, Kentucky Infrastructure Authority; Terri Fugate, Office of Financial Management; and Donna Dutton, Cabinet for Economic Development, Office of the New Economy.

LRC Staff: Mary Lynn Collins, Nancy Osborne, Kevin Mason, Bart Hardin, and Shawn Bowen.

Representative Marcotte made a motion to approve the minutes of the December 17, 2002 meeting as submitted. The motion was seconded by Senator Jackson and passed by voice vote.

Chairman Haydon called on Ms. Mary Lynn Collins, Committee Staff Administrator, to review correspondence included in members' folders. Ms. Collins said the first item was correspondence from the Secretary of the Finance and Administration Cabinet to the President of the Kentucky Community and Technical College System (KCTCS) giving final approval for the lease-purchase of the former Texas Instruments facility located in Versailles. The building will house KCTCS administrative offices. Also included in members' folders was correspondence from the Executive Director, Kentucky Infrastructure Authority, providing information on the Clean Counties Program; correspondence from the Deputy Secretary of the Finance and Administration Cabinet in response to questions raised at the committee's December meeting, regarding state printing costs and radio advertisements by the Transportation Cabinet; quarterly construction reports from the Administrative Office of the Courts, the Finance and Administration Cabinet, Murray State University, University of Kentucky, and University

of Louisville; and the Kentucky Lottery Corporation's monthly financial report, including unclaimed lottery winnings, for November 2002.

Ms. Collins said there were two information items in committee members' folders: a summary of proposed legislation relating to the committee's jurisdiction and a staff update on various capital projects.

Chairman Haydon asked Bill Hintze, Governor's Office for Policy and Management, and Armond Russ, Commissioner of the Department for Facilities Management, to present the monthly Finance and Administration Cabinet project report.

Mr. Hintze reported an emergency authorization for a project at the Kentucky Horse Park to upgrade the HVAC. The upgrade is necessary to comply with quality control requirements of the British museums that are loaning over 400 works of art and artifacts to the Horse Park for an international exhibit opening this summer. Mr. Hintze said the Horse Park planned an HVAC project using Maintenance Pool funds, but the project cost more than they originally thought (\$301,300) and an additional \$152,700 in private funds was added to the project. The revised project scope is now \$454,000.

Chairman Haydon said this is an emergency project, and no further action is required.

Mr. Hintze next reported that the Department of Military Affairs plans to extend Minuteman Parkway at the Boone National Guard Center in Frankfort. This unbudgeted project is 100% federally funded and has a project scope of \$750,000.

Senator Buford made a motion to approve the project. The motion was seconded by Representative Marcotte and passed by voice vote.

Chairman Haydon said included in members' folders is the quarterly report of the closeout of capital construction project accounts submitted by the Finance and Administration Cabinet.

Chairman Haydon said next on the agenda was a joint presentation by Western Kentucky University (WKU) and the Finance and Administration Cabinet regarding the Diddle Arena Renovation project. Robin Kinney, Deputy Secretary, Finance and Administration Cabinet, said she has appeared before the committee on several occasions regarding the Diddle Arena Renovation project. She introduced Deborah Wilkins, Legal Counsel, WKU, and Steve Sharp, Department for Facilities Management, to discuss the project.

Mr. Sharp said this project was authorized by the 2002 General Assembly at a scope of \$2.5 million, with the bonds to be issued by the City of Bowling Green. The

renovation project includes interior and exterior renovations, new locker rooms, auxiliary gym, sky boxes, new seating, HVAC, electrical systems, fire alarms, and improvements related to the federal Americans with Disabilities Act. Mr. Sharp said the project delivery method was construction management not-at-risk, and the construction manager and the architect were both hired by February 2002, and construction started April 1, 2002.

Mr. Sharp said the last quarterly report from WKU indicated some Phase Two design concerns. He said the Department's staff has met with WKU several times since the last Capital Projects committee meeting, and while there have been some design delays, the overall schedule will be met. He said the facility will be useable for the Sunbelt Conference Tournament in March, a primary concern. Ms. Wilkins agreed with Mr. Sharp. She said WKU has worked through the concern noted in the last quarterly report, and it is no longer an issue.

Mr. Sharp said the beneficial occupancy date for this project is July 30. He recognized the project manager Gary Postlewaite, Division of Engineering, and Bonnie Bumpous, Division of Contracting, for their work on the project. He said the project will involve 65 different bid packages, and 57 have already been awarded. Mr. Sharp then shared pictures of Diddle Arena with the committee members.

Chairman Haydon said working under this time constraint, WKU and the Finance Cabinet have done a remarkable job on the arena project. He said he was proud of the committee's role in allowing this project to come forward.

In response to a question from Representative Wayne, Commissioner Russ said the project is going extremely well. He said it is very seldom that a \$30 million project can be done correctly in such a short-time frame. When a project is fast-tracked, as this one is, things change daily and communications are difficult, if not impossible. He credited WKU's project management staff, as well as staff from the Athletic Department, for their assistance in addressing problems encountered during the project. He said Alliance Corporation has done a fantastic job as construction manager, and the architect has performed well in turning out the bid packages in such a short time frame.

Representative Marcotte asked if the project will come in under budget. Ms. Wilkins said it would, the university does not plan to spend more money than has been allotted.

In response to questions from Senator Buford, Ms. Kinney said approximately \$20 million has been expended for this project so far. She said there should be enough money left to complete Phase II, including the seats and flooring. Mr. Sharp said they are in Phase II design now, and construction will start after the Sunbelt Conference Tournament.

Senator Buford asked about difficulties WKU reported last month regarding the architect. Commissioner Russ said there was a communications problem. The architect was proceeding to get the seats designed in time to make the construction schedule, which was after the Sunbelt Conference Tournament. However, he said somehow it did not get communicated that WKU needed the seat design completed earlier to facilitate sales for next year's season tickets.

Representative Wayne congratulated staff, particularly Gary Postlewaite and Bonnie Bumpous, for their work on the WKU project.

Chairman Haydon then introduced Tom Denton, Vice President for Administrative Services, Murray State University, (MuSU) to discuss a \$1.5 million scope increase for the Western Regional Center for Emerging Technologies (WRCET). Mr. Denton introduced Dr. Dewey Yeatts and Dr. John Yates. This project was initially reported to the committee in October 2001 as a New Economy project at a scope of \$1.5 million. The WRCET facility will be one of six regional innovation and commercialization centers being established as part of the Strategic Plan for the New Economy. Mr. Denton said the scope increase will be covered with \$500,000 from the Tennessee Valley Authority and \$1,000,000 from the federal Economic Development Administration.

Mr. Denton said it will be a 35,000 square foot building located on the MuSU campus, and should be completed in November 2004. He said once the building is complete, there will be an Memorandum of Agreement (MOA) between WRCET and the university. MuSU will receive and manage WRCET funds and provide employees, and WRCET will reimburse the university for the cost of those employees. Mr. Denton said the university will also act as the construction manager for the new building.

Senator Buford asked who will be responsible for operating costs after the facility is completed. Mr. Denton said there are no state funds allocated for operating costs at this time. He said they would like to reserve the opportunity to request funds in the future. He said they have several other alternatives for operating funds, including grants from the Kentucky Economic Development Finance Authority (KEDFA), lease revenues from tenants in the building, and internal funding.

In response to questions from Senator Buford, Mr. Denton said he was aware that at least one of the other six regional centers is receiving state funds for operations and maintenance. He said the operational overhead should be approximately \$120,000 annually. Mr. Denton said the Western Regional Center for Emerging Technologies, Inc. may be able to assist with operating funds since it has received some grant funds for operating costs from KEDFA. He said although those grants are primarily for employee salaries, and fringe benefits, it is a possible that those funds can be used for utilities and maintenance costs as well.

Representative Wayne said he was concerned that a building is being built, but there is no way to fund the operation of it. Mr. Denton said they have the money for operational costs, but they would prefer to find another source. He said the building will take two years to build, and things may change by that time, but if not, MuSU will take care of the operation and maintenance costs.

Senator Jackson said this project will have a major impact on economic development in Western Kentucky. He made a motion to approve the project contingent upon approval by the Council on Postsecondary Education and final approval of the federal Economic Development Authority grant. The motion was seconded by Senator Leeper and approved by voice vote.

Jack Morris, Director, Division of Real Properties, presented a lease modification of \$2,393 for the Personnel Cabinet in Franklin County (PR-3876). Mr. Morris said the Personnel Cabinet has installed carpet in the waiting area to eliminate damage to the floors from the chairs. This improvement was made prior to the Governor's recent executive order. Since the modification is under \$50,000, no further action was required for this lease.

Chairman Haydon said the next agenda item was the bond activity report from the Office of Financial Management. He asked Ms. Sandy Williams, Kentucky Infrastructure Authority (KIA), to report new items proposed for KIA assistance. Ms. Williams presented nineteen new 2020 Account/Fund B Grants: Boone County – Bullock Pen waterline extension; City of Springfield – Washington County waterline extension; Green-Taylor Water District – waterline extension & storage tank; Green Hills Water District – Harlan County waterline extension; Hancock County Fiscal Court – planning grant for new water storage tank, wells and lines; Jamestown Water System – Russell County waterline extension; Louisville Water Company – Bullitt County waterline extension projects (5 projects); Louisville Water Company – Jefferson County waterline extension; McKinney Water District – Lincoln County waterline extension; City of Augusta – Bracken County lagoons, relocate outfall line; East Laurel Water District – Laurel County waterline extension; Wood Creek Water District – new water tank and pump station; Wood Creek Water District – Laurel County waterline extension; Consumers Water District – Graves County waterline improvement; and Owensboro Municipal Utilities – Daviess County storage tank replacement. The committee approved these projects in January, and no further action was required.

Chairman Haydon next called on Terri Fugate, Office of Financial Management, to discuss the agency's bond issue report. Ms. Fugate reported two refunding bond issues with School Facilities Construction Commission (SFCC) debt service participation: Bullitt County and Wayne County.

Senator Buford made a motion to approve the school bond issues. The motion was seconded by Senator Leeper and passed by voice vote. Representative Damron abstained from the vote, citing a potential conflict of interest.

Also included in members' folders was a follow-up report for Kentucky Infrastructure Authority Governmental Agencies Program Revenue and Revenue Refunding Bonds, 2002 Series K, for \$13,420,000. This project was approved at an earlier committee meeting, and no action was required.

Chairman Haydon said there were five locally-funded school bond issues submitted to the committee for review this month: Adair County; Elliott County; McLean County; Somerset Independent (Pulaski County); and Wayne County. He said all disclosure information has been filed, and no further action on the bond issues is required.

Chairman Haydon called on by Dr. Bill Brundage, Commissioner, Office of the New Economy, to present a report regarding New Economy projects approved by KEDFA. Ms. Donna Dutton, Office of the New Economy, said Dr. Brundage was testifying before another legislative committee, and was not available. She offered to answer questions for the committee members.

Representative Wayne asked what was the New Economy's total biennial budget for 2000–02. Ms. Dutton responded that the budget was \$40 million.

In response to questions from Representative Wayne, Ms. Dutton said all the projects funded under the 2000–02 budget are under contract. She noted the contracted projects were not reviewed by the Government Contract Review Committee, but are reviewed and approved by KEDFA.

Chairman Haydon said the committee will hold its next meeting on February 20 at 12 Noon.

With there being no further business, the meeting adjourned at 1:45 p.m.